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# MEMORANDUM

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Date: June 8, 2011

To: The Honorable Chairman and Members  
Pima County Board of Supervisors

From: C.H. Huckelberry  
County Administrator 

Re: Normalizing and Comparing the Maricopa County Primary Property Tax Rate with that of Pima County

At first glance, it may appear there is a substantial and significant difference between the primary property tax rate of Pima County at 3.4178 and that of Maricopa County at 1.2407. However, all of the facts associated with revenues available to both counties must be examined and appropriate adjustments made in order to develop an accurate comparison of the tax rates. If one were to take the information at face value, it could be concluded that the Pima County primary property tax rate is nearly three times higher than that of Maricopa County; however, this is not correct.

As discussed below, a number of factors significantly normalize the tax rates:

- A. Difference in Per Capita Assessed Value. Attached to this memorandum is a per capita assessed value comparison between Pima and Maricopa Counties. People require governmental services, which are funded using the available property taxes base, which differs among counties. Therefore, it is appropriate to develop per capita assessed value comparisons to determine the implications of tax rates and tax revenue raising capacity. The analysis is very clear that the per capita assessed value in Maricopa County is nearly 19 percent greater than in Pima County; hence, our tax rate must be 19 percent higher in order to raise the per capita funding for services. Taking our \$3.4178 and subtracting a tax rate to normalize for the difference in assessed value per capita would yield a tax rate of \$2.8733.
- B. Jail Tax. Maricopa County, unlike Pima County, has utilized sales tax authority to diversify their tax base. Maricopa has a jail tax that raises significant sums of money for which Pima County relies on the primary property tax base, since we have no jail tax. If this is normalized, our tax rate would decrease from \$2.8733 to \$2.1277.
- C. Healthcare District Secondary Tax Available to Maricopa County. Both Pima and Maricopa Counties have historically had hospitals for providing healthcare and medical services to the indigent. In Maricopa County, they have

transitioned their hospital – Maricopa Medical Center – to a secondary property tax similar to our library secondary property tax district. This transition relieves Maricopa County of having to pay for its hospital through the primary property tax rate as Pima County does.

We have transitioned our hospital operation and management to UA Healthcare, Inc.; however, we still raise revenues through the primary property tax base and transfer those revenues to UA Healthcare, Inc. For the coming fiscal year, \$15 million has been committed for UA Healthcare, Inc.'s contract. Because we are not able to take advantage of a secondary property taxing district, we must levy these funds in our primary property tax rate. If this cost was transferred to a secondary property tax rate, our primary property tax rate would decrease from \$2.1277 to \$1.9472.

- D. Disproportionate Urban Service Populations in Pima County. Ninety-four percent of Maricopa County's population resides in the incorporated areas (various cities and towns). In Pima County, only 64 percent of the County's population resides in cities and towns; hence, we have a very high unincorporated service population. The major cost drivers in the unincorporated area for the primary property tax relate to the Sheriff and law enforcement services and our Natural Resources, Parks and Recreation Department. If these costs are proportionately allocated and compared to Maricopa County, the primary property tax rate would be further reduced from \$1.9472 to \$1.5795.

Pima County has often been criticized as a high property tax county. We are not. Our primary property tax rate is not the highest in Arizona, and all other counties have one, two or even three excise tax sources of revenue that are used to be reduce their property tax burden. Pima County has none. When comparing the normalized primary property tax rate of Pima and Maricopa Counties, they are very similar and not substantially different based on the revenue sources available to each county as well as the service demands each county must face in providing local government services.

CHH/mjk

Attachment

- c: Martin Willett, Chief Deputy County Administrator  
Hank Atha, Deputy County Administrator for Community and Economic Development  
John Bernal, Deputy County Administrator for Public Works  
Jan Leshner, Deputy County Administrator for Medical and Health Services  
Tom Burke, Director, Finance and Risk Management  
Robert Johnson, Budget Manager, Finance and Risk Management

**Property Tax Rate for Fiscal Year 2011/12  
Maricopa County vs Pima County**

	<u>Rate</u>	<u>Levy</u>
<b><u>Maricopa County</u></b>		
Primary Property Tax	1.2407	477,571,468
Jail Excise Tax (Sales Tax)		109,584,249
Maricopa County Special Health Care District (Secondary Property Tax)	<hr/>	55,722,300
	1.2407	
<b><u>Pima County</u></b>		
Primary Property Tax	3.4178	284,023,289
1. Adjust for Adult and Juvenile Detention (a)	<hr/>	61,961,413
	0.7456	
	2.6722	
2. Adjust for UPH Subsidy (b)	<hr/>	15,000,000
	0.1805	
	2.4917	
3. Adjust for Per Capita Difference in Net Assessed Value (c)	<hr/>	45,248,605
	0.5445	
	1.9472	
4. Adjust for high unincorporated population (d)	<hr/>	30,552,868
	0.3677	
Pima County's Adjusted Tax Rate	1.5795	

**Analysis of Differences in Primary Tax Rate**

Pima County's Tentative Adopted Primary Property Tax Rate =	3.4178
Maricopa County's Tentative Adopted Primary Property Tax Rate =	1.2407
Face Value Comparison (Pima Rate/Maricopa Rate) =	2.75

By using a direct face value comparison of the two tax rates, it appears that Pima County's tax rate is 2.75 times higher than Maricopa County's tax rate.

(a) Maricopa County's per capita primary net assessed value is nearly 19% higher than Pima County's. Pima County has to levy an additional 0.5445 to collect the same amount of tax revenue per capita.

(b) Maricopa County has separate revenue streams for Adult and Juvenile Detention in the form of a Jail Excise Tax). Pima County does not have this capability and must include these costs when calculating the primary property tax rate. This item impacts Pima County's rate by 0.7456.

(c) Maricopa Hospital costs are under the secondary property tax base as a separate special district. Pima County must include these costs when calculating the primary property tax rate. This item impacts Pima County's rate by 0.1805.

(d) 94% of Maricopa County's population lives in incorporated areas versus 64% of Pima County's population. Pima County's primary tax rate includes the cost of many urban-type services to 36% of the County's total population versus 6% for Maricopa County. Two of the largest unincorporated costs in the General Fund are for Law Enforcement and Parks and Recreation. This analysis takes a 36% or 30,552,868 premium for the unincorporated population. This equates to 0.3677 on the primary property tax rate.

After adjusting for these differences and making the tax rates consistent:

Pima County's Adjusted Tentative Adopted Primary Property Tax Rate =	1.5795
Maricopa County's Tentative Adopted Primary Property Tax Rate =	1.2407
Consistent Value Comparison (Pima Adjusted Rate/Maricopa Rate) =	1.27

By using an adjusted rate for Pima County that takes into account the different revenue streams and makes for a more consistent comparison between the two rates, one can conclude that Pima County's rate, while higher, is not all that much greater than Maricopa County's rate. A deeper analysis may push this difference even lower.

# PER CAPITA NET ASSESSED VALUATION

PIMA COUNTY POPULATION, April 1, 2010

980,263

MARICOPA COUNTY POPULATION, April 1, 2010

3,817,117

	% of Total	Value Per Capita	MARICOPA COUNTY FY 2011/12 SECONDARY NET ASSESSED VALUE	% of Total	Value Per Capita
<b>PIMA COUNTY FY 2011/12 SECONDARY NET ASSESSED VALUE</b>					
Mines	1.8%	\$157.69	\$154,580,001	0.0%	\$0.34
Utilities	3.3%	281.66	276,101,640	6.6%	669.33
Commercial/Industrial	24.8%	2,147.02	2,104,645,190	31.9%	3,238.06
Vacant Land & Agriculture	6.5%	559.07	548,039,133	5.9%	603.07
Owner-Occupied Residential	52.2%	4,520.42	4,431,202,754	46.5%	4,723.96
Rental Residential	10.9%	940.62	922,058,153	8.6%	870.12
Other	0.5%	46.24	45,323,924	0.5%	49.46
<b>Total Secondary NAV</b>	<b>100.0%</b>	<b>\$8,652.73</b>	<b>\$8,481,950,795</b>	<b>100.0%</b>	<b>\$10,154.34</b>

Per Capita Secondary NAV Relative to Pima County **117.35%**

	% of Total	Value Per Capita	MARICOPA COUNTY FY 2011/12 PRIMARY NET ASSESSED VALUE	% of Total	Value Per Capita
<b>PIMA COUNTY FY 2011/12 PRIMARY NET ASSESSED VALUE</b>					
Mines	1.9%	\$157.69	\$154,580,001	0.0%	\$0.34
Utilities	3.3%	281.62	276,066,490	6.6%	669.33
Commercial/Industrial	24.1%	2,046.44	2,006,045,979	31.8%	3,203.60
Vacant Land & Agriculture	6.0%	510.92	500,836,030	5.7%	579.73
Owner-Occupied Residential	53.2%	4,507.38	4,418,416,161	46.8%	4,718.34
Rental Residential	11.0%	932.60	914,191,660	8.6%	867.36
Other	0.5%	40.79	39,983,891	0.4%	45.37
<b>Total Primary NAV</b>	<b>100.0%</b>	<b>\$8,477.44</b>	<b>\$8,310,120,212</b>	<b>100.0%</b>	<b>\$10,084.08</b>

Per Capita Primary NAV Relative to Pima County **118.95%**

**Sources:**

Pima County and Maricopa County population counts on April 1, 2010, from U.S. decennial Census 2010.  
Pima County valuation from 2011 Abstract of Values and Maricopa County valuation from State's 2011 Abstract of the Assessment Roll, Arizona Department of Revenue